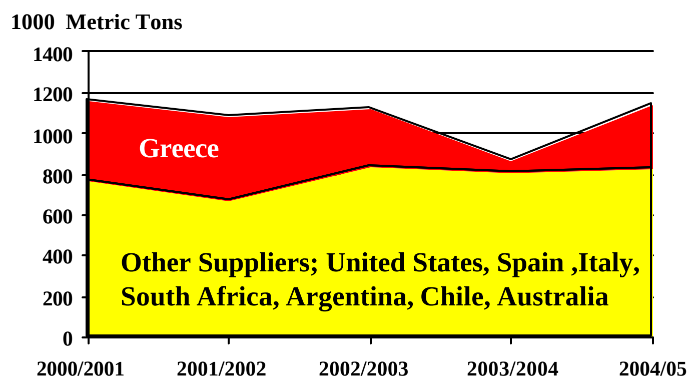
Canned Peach Situation
In Selected Countries

The forecast for the 2004/05 marketing year puts world canned peach production at 1.1 million tons, up 31 percent, world exports at 568,062 tons, up 41 percent, and ending stocks at 139,420 tons, up 10 percent. Production of canned peaches for the northern hemisphere for 2004/05 is forecast to be up 42 percent to total 863,700 tons and exports are forecast to be up by 63 percent, to total 422,000 tons. Long range forecast for the southern hemisphere place production at 244,140 tons, up 4 percent from 2003/04, exports at 146,062 tons, up 7 percent and ending stocks at 23,617 tons, almost the same as last year. Production of canned peaches in selected countries for marketing year 2003/04 is estimated at 871,942 tons, down 22 percent from the previous year. World exports for the selected countries for 2003/04 are estimated at 418,171 tons, down 32 percent from the preceding year.

Regional and Country Highlights

World supplies of canned peaches have returned to normal levels following the disastrous 2003/04 season, which was marked by the Greek crop failure

Leading World Canned Peach Producers



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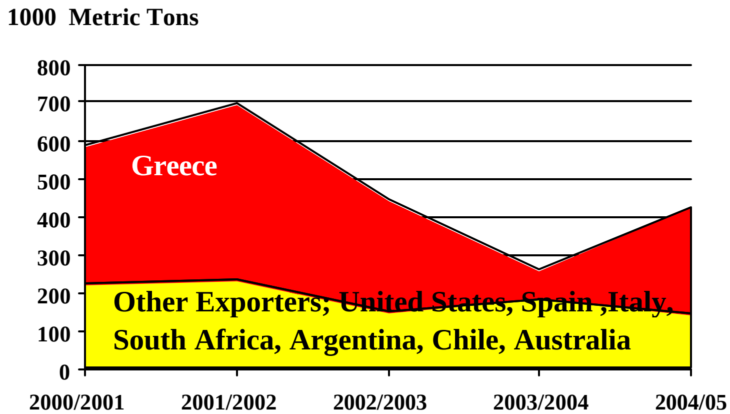
Market fundamentals have returned to pre- 2003/04 levels marked by large Greek output substantial ending stocks and lower prices. World consumption is flat but is showing signs of trending down in two of the three largest consumers, Japan and the European Union. Last year's freeze, which almost completely destroyed the Greek crop, did not seriously damage the trees. Greek production bounced back from 61,700 tons to an estimated 315,000 tons in 2004. This year's output ranks as the fourth largest during the last ten years. Spain's estimated production for 2004/05 is down by 3 percent to 165,000 tons. Italy is estimated to produce 18,000 tons, only 100 tons off last year and 400 tons off the 2002/03 level.

Leading World Canned Peach Exporters



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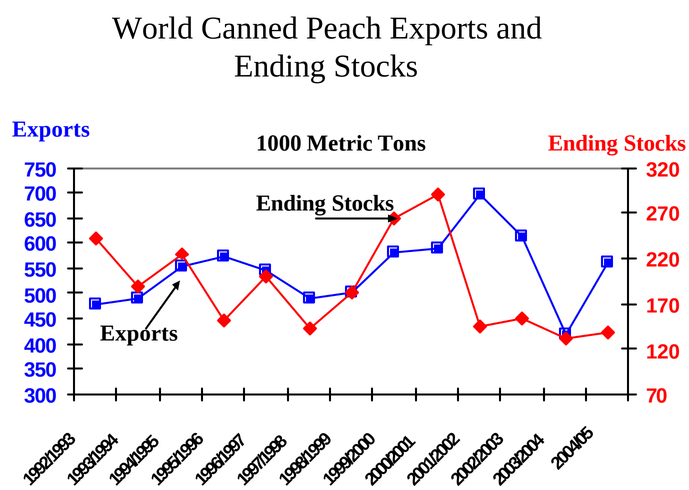
Production in the United States reached 376,700 tons, the second largest in the last ten years. The quality of the U.S. crop was very good, in part due to a revised pricing structure, which increased prices for deliveries at below 4 percent off-grade and reduced prices for deliveries in excess of 4 percent off-grade. Consumption in the United States has remained very constant over the last five years, averaging 387,200 tons.

The forecast 2004/05 production in the southern hemisphere (South Africa, Chile, Australia and Argentina), which normally accounts for about 20 percent of the world's commercial supply of canned peaches, is down by 1,000 tons to 244,140 tons. Forecast 2004/05 production is up in Australia and Argentina, constant in Chile and down in South Africa. Argentina's forecast production is up 23 percent to an estimated 70,000 tons. For the first time, Argentina is expected to be a major exporter, with shipments estimated around 40,000 tons. The abundant Argentine supplies together with the attractive exchange rate will make Argentine product competitive in many markets. Australian production is forecast to reach 48,140 tons, up 60 percent from last year's greatly-reduced output of 29,880 tons. Chilean production is forecast to remain at 64,000 tons, and South African production is forecast to decline by 28 percent to 62,000 tons.

Although southern hemisphere supplies are exported throughout the year in fairly even quantities, the new crop enters the market during the last half of marketing year, prior to the entry of the larger northern hemisphere crop. This means that a significant portion of southern hemisphere supplies will be facing heavy competition from the United States and Greece.

Normally the European Union (EU) accounts for over 70 to 80 percent of total world exports of canned peaches. Last year (2003/04) the EU accounted for only 51 percent of the supplies. This year the EU is forecast to supply about 67 percent of world exports. The improved Greek crop will mean both the EU and other importing countries will receive lower prices for canned peaches.

Because Greece chronically over supplies the market, world stocks have tended to rise over time, reaching a high point of 289,815 tons in 2000/01. Last year ending stocks hit the lowest level in recent history, totaling only 133,177 tons before bouncing back to 138,262 tons forecast for 2004/05. The reasons for this dip were low Greek production in both the 2002/03 and 2003/04 marketing years. Greek exports for those years remained strong due to stock build ups resulting from record-breaking production for three consecutive years beginning in 1999/2000. As a result, Greece carried over 102,000 tons and 121,000 tons for 2000/01 and 2001/02, respectively. Greece was able to export these surplus stocks with the aid of extraordinarily favorable exchange rates, which began in 1999 and ran into 2002.



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Greece

The 2004 processed product output is estimated at 315,000 tons (over 14,000,000 boxes equivalent to 24X1kg). According to processors, the cost of production is very high and Greek peaches are currently priced at €11 per box 24X1kg (ex-factory basis). In 2003/04, there was a remarkable rise in export prices due to the failure of the peach crop in 2003. According to the industry, the absence of Greek canned products from international markets in 2003/04 created instability in the market and allowed other competitors such as Spain to sell canned products at higher prices. For the 2004/2005, Greek exports are expected to recover, although competition from other countries is particularly stiff, mainly from similar Chinese products. A preliminary estimate for Greek exports in 2004/2005 is for 280,000 tons of processed product. By the end of 2004/05, processors are expecting to increase stocks significantly, compared to the previous year, in order to become competitive in the future.

For the 2003 severely damaged peach crop, farmers received government compensation of €0.278/kg plus the EU support price of €0.048/kg and the price paid by the processors, which was set at €0.6/kg. All compensation payments have been made by March 2004. For those farmers who lost part or their entire 2004 crop, after last summer's hailstorms, the (Hellenic Agricultural Insurance Fund (ELGA) will proceed with compensation payments, after accurate fruit damage estimates are completed per area and grower. No actual compensation payments have yet been announced by ELGA.

Last year was profitable for the farmers, despite the short peach crop, because of the compensation measures taken by the Greek government. The Greek Ministry of Agriculture decided that old debts of individual farmers, farmer groups, and cooperatives, to the Agricultural Bank of Greece, could be rescheduled up to the end of October 2004, with as many as 60 monthly installment payments. This political decision, made by the new government (elected March 2004), affects all farmers and applies to all loans taken for various reasons (purchase of agricultural machinery and equipment, chemical supplies, irrigation systems, farm buildings, etc.) Under this policy, the total loan payoffs must be less than double the initial capital borrowed by farmers.

On the other hand, the Greek Government has not favored the processing industry, which was the only sector adversely affected by bad weather conditions last year. Not surprisingly, the government's recent support measures to the primary sector, such as the rescheduling of bank loan payments, were criticized severely by processors who believed that similar measures should be taken for their sector.

Australia

Canned peach output is forecast at 48,140 tons in calendar year 2005, up 61 percent from the revised figure for the previous year and larger than the longer-term average. The forecast of 2005 production assumes normal weather conditions and sufficient supplies of irrigation water. Irrigation water allocations for key canning fruit areas appear sufficient for a crop of this size. Furthermore, soil moisture levels are adequate and growers are not anticipating above-average watering requirements. A return to drought conditions or any significant reduction in irrigation water allocations would result in lower output.

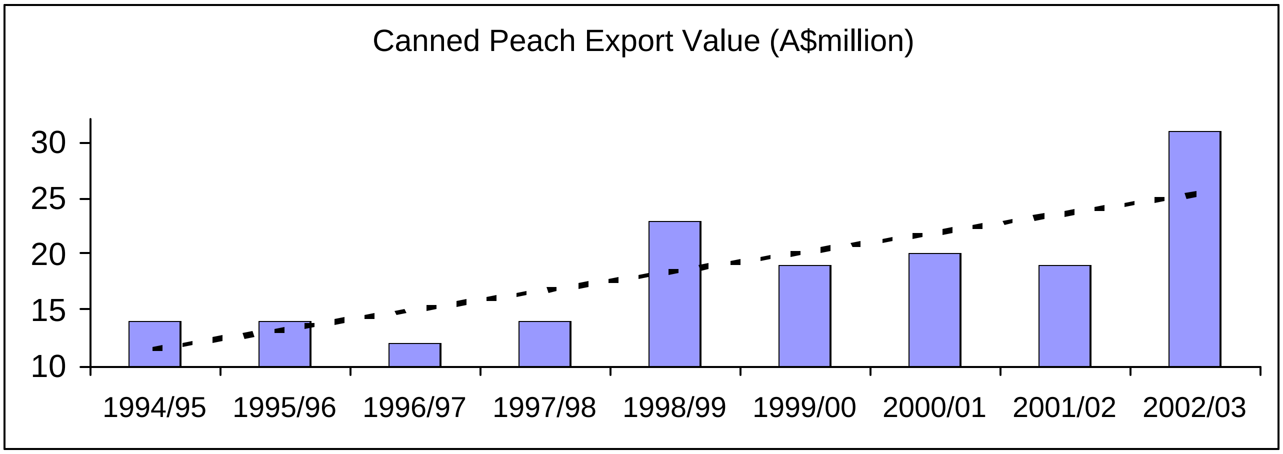
Canned peach output for CY 2004 is estimated at 29,880 tons, 32-percent lower than in 2003. A severe frost early in the season did significant damage to stone fruit crops such as apricots, and was the primary reason for the lower 2004 peach crop.

Canned peach exports in CY 2005 are forecast at 14,000 tons, up sharply from the previous year. The substantially larger 2005 crop is expected to boost fruit available for export. The 2005 export forecast is relatively in-line with the long-term average export volume.

Canned fruit exports in CY 2004 are projected at 7,000 tons. This export figure is at a record low largely brought on by the reduction in canning fruit supplies due to unfavorable weather conditions. Trade data for CY 2004 (January-August) shows exports declining over 50 percent compared to the same period in the previous year.

Historic figures provided by the Department of Agriculture, Fisheries and Forestry (DAFF, formerly AFFA) indicate an overall increase in the value of canned fruit exports, on an annual July to June basis. A lower Australian dollar and packaging improvements have assisted exports over the past five years.

More recently, a temporary shortfall in northern hemisphere production created sharp increase in export demand.



Source: DAFF (July-June year)

Australia-US FTA: Australia completed free trade agreement (FTA) negotiations with the United States in February 2004. The FTA could be implemented as soon as January 1, 2005. Currently, Australia maintains an import tariff of five percent on canned fruit, including product from the United States. Under the FTA, Australia's tariff on product from the United States would immediately drop to zero.

Exports of canned fruit from Australia to the United States are currently assessed a U.S. tariff of 18 percent. Under the FTA, the U.S. import tariff would be reduced to zero at the rate of one percent per year over a period of 19 years. The Australian canning fruit industry was particularly critical of the relatively long phase-out period of the U.S. tariff. Currently, the only major bilateral trade is Australian exports of canned pears to the United States.

Australia-Thailand FTA: Australia completed FTA negotiations with Thailand in October 2003. Under the agreement, Thailand's tariff on Australia's exports of canned fruit and juices will be reduced to zero by 2010, from the pre-FTA level of 30 percent.

Australia's two remaining fruit canners officially merged into one in September 2001. The merger was subject to approval of the Australian Competition and Consumer Commission. The Commission granted approval for the merger, stating that there was sufficient competition from imported canned fruit to guard against anti-competitive behavior. The new company, SPC-Ardmona, recently announced an annual operating profit. Recently, SPC-Ardmona held talks with a much larger food company, National Foods. National Foods, which is principally a large dairy foods manufacturer, signaled its intention to purchase SPC-Ardmona.

The merger would require amendment of the rules limiting ownership in SPC-Ardmona to 20 percent per shareholder. Despite a rise in the share price for both of these companies it is uncertain if grower shareholders will support the proposed merger.

South Africa

Reports of drought throughout South Africa's Western Cape prompted a downward revision of forecast canned peach output from 88,200 tons to 62,000 tons. Exports are also revised downward from 77,300 to 40,000 tons.

Reservoirs across South Africa are only 40 to 50 percent full and little additional rainfall is expected for the rest of the year. The South African Fruit and Vegetable Canners Association representative confirmed the expectation of a poorer crop.

Tables attached

- Canned Peach Production Supply and Distribution
- U.S. Export of Canned Peaches
- U.S. Imports of Canned Peaches

The FAS Attaché Report search engine contains reports on the Canned Deciduous Fruit. For information on production and trade, contact Robert Knapp at 202-720-4620.

Canned Peach Production Supply and Distribution
Metric Tons (net weight)

	Beginning Stocks	Production	Imports	Exports	Domestic Consumption	Ending Stocks
Argentina						
2000/2001	7,934	70,520	10,158	1,047	65,000	22,565
2001/2002	22,565	47,000	2	4,531	55,000	10,036
2002/2003	10,036	67,000	38	33,000	33,500	10,574
2003/2004	10,574	65,000	-	35,000	30,500	10,074
2004/2005	10,074	70,000	-	40,000	30,000	10,074
Chile						
2000/2001	7,355	46,000	525	35,406	9,000	9,474
2001/2002	9,474	40,000	344	35,283	9,575	4,960
2002/2003	4,960	52,000	4,610	50,428	9,625	1,517
2003/2004	1,517	64,000	1,450	52,000	12,600	2,367
2004/2005	2,367	64,000	1,000	52,000	12,800	2,567
Australia						
2000/2001	9,300	44,820	145	8,380	36,285	9,600
2001/2002	9,600	41,666	420	11,573	32,500	7,613
2002/2003	7,613	43,741	677	12,981	35,000	4,050
2003/2004	4,050	29,880	1,260	7,000	27,000	1,190
2004/2005	1,190	48,140	700	14,000	32,000	4,030
South Africa						
2000/2001	42,707	82,362	57	55,020	24,906	45,200
2001/2002	45,200	61,313	112	63,581	24,862	18,182
2002/2003	18,182	98,885	117	77,168	26,804	13,212
2003/2004	13,212	86,230	100	66,400	23,280	9,862
2004/2005	9,862	62,000	100	40,062	24,900	7,000
Southern Hemisphere						
2000/2001	67,296	243,702	10,885	99,853	135,191	86,839
2001/2002	86,839	189,979	878	114,968	121,937	40,791
2002/2003	40,791	261,626	5,442	173,577	104,929	29,353
2003/2004	29,353	245,110	2,810	160,400	93,380	23,493
2004/2005	23,493	244,140	1,800	146,062	99,700	23,671

Canned Peach Production Supply and Distribution
Metric Tons (net weight)

	Beginning Stocks	Production	Imports	Exports	Domestic Consumption	Ending Stocks
Italy						
2000/2001	8,414	26,500	29,163	37,829	15,000	11,248
2001/2002	11,248	17,000	26,698	40,512	10,239	4,195
2002/2003	4,195	18,400	28,989	39,162	9,500	2,922
2003/2004	2,922	18,100	26,500	36,600	9,090	1,832
2004/2005	1,832	18,000	19,000	27,000	9,100	2,732
Greece						
2000/2001	102,000	397,000	1,300	366,000	13,000	121,300
2001/2002	121,300	407,000	1,000	458,300	14,000	57,000
2002/2003	57,000	290,000	1,000	295,000	12,000	41,000
2003/2004	41,000	61,700	3,000	75,000	7,000	23,700
2004/2005	23,700	315,000	800	280,000	15,000	44,500
Spain						
2000/2001	23,048	143,000	4,632	72,075	75,400	23,205
2001/2002	23,205	125,000	3,505	75,672	71,000	5,038
2002/2003	5,038	150,322	4,979	87,703	70,431	2,205
2003/2004	2,205	184,712	4,600	102,000	72,000	17,514
2004/2005	17,517	154,000	6,000	95,000	72,000	10,517
European Union						
2000/2001	133,462	566,500	35,095	475,904	103,400	155,753
2001/2002	155,753	549,000	31,203	574,484	95,239	66,233
2002/2003	66,233	458,722	34,968	421,865	91,931	46,127
2003/2004	46,127	264,512	34,100	213,600	88,090	43,046
2004/2005	43,049	487,000	25,800	402,000	96,100	57,749
United States						
2000/2001	63,757	350,888	47,924	14,265	401,081	47,223
2001/2002	47,223	325,577	62,768	8,468	390,009	37,091
2002/2003	37,091	401,920	49,305	20,398	390,304	77,614
2003/2004	77,614	362,320	36,011	44,171	365,136	66,638
2004/2005	66,638	376,700	24,662	20,000	390,000	58,000

Canned Peach Production Supply and Distribution
Metric Tons (net weight)

	Beginning Stocks	Production	Imports	Exports	Domestic Consumption	Ending Stocks
Northern Hemisphere						
2000/2001	197,219	917,388	83,019	490,169	504,481	202,976
2001/2002	202,976	874,577	93,971	582,952	485,248	103,324
2002/2003	103,324	860,642	84,273	442,263	482,235	123,741
2003/2004	123,741	626,832	70,111	257,771	453,226	109,684
2004/2005	109,687	863,700	50,462	422,000	486,100	115,749
Total						
2000/2001	264,515	1,161,090	93,904	590,022	639,672	289,815
2001/2002	289,815	1,064,556	94,849	697,920	607,185	144,115
2002/2003	144,115	1,122,268	89,715	615,840	587,164	153,094
2003/2004	153,094	871,942	72,921	418,171	546,606	133,177
2004/2005	133,180	1,107,840	52,262	568,062	585,800	139,420

Source; reports from U.S. Agricultural Counselors and Attaches and or USDA/FAS estimates

U.S. EXPORTS OF CANNED PEACHES
Marketing Year June/May

Countries	2000	2001	2002	2003	2004
		--Metric Tons Net Weight 1/ --			
Mexico	5,395	220	740	9,097	11,950
Netherlands	61	88	55	-	8,199
Canada	8,043	5,979	4,774	4,496	7,260
Germany	101	-	-	-	4,738
China	33	-	7	60	4,452
Italy	-	44	-	-	3,024
Greece	19	8	215	589	1,008
Thailand	72	1,427	264	2,737	577
Australia	-	-	-	-	559
Taiwan	346	387	47	173	487
Panama	402	292	117	444	409
Japan	2,231	1,067	261	171	277
Israel	319	318	-	54	215
Singapore	141	63	19	126	148
Costa Rica	450	343	336	243	86
Korea	1,142	1,541	496	13	78
Guatemala	383	216	142	57	29
Honduras	21	272	51	15	15
El Salvador	273	243	71	5	13
Philippines	86	944	508	1,375	9
Other	637	814	365	745	638
Total	20,155	14,265	8,468	20,398	44,171

1/ One metric ton equals 48.99 standard cases of 24 x 2 1/2 cans
Source: U.S. Census Bureau

U.S. IMPORTS OF CANNED PEARS
Marketing Year June/May

Countries	2000	2001	2002	2003	2004
	--Metric Tons Net Weight 1/ --				
China	108	254	2,804	8,737	9,878
Thailand	0	151	4	464	6,902
South Africa	568	1,779	4,352	4,683	2,414
Australia	631	510	1,330	1,065	1,110
Spain	132	328	2,355	400	801
Other	59	112	1,033	157	204
Total	1,498	3,134	11,878	15,505	21,310

1/ One metric ton equals 48.99 cases standard cases of 24 x 2 1/2 cans
Source: U.S. Census Bureau